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agf management limited

Annual Report 1966

Mutual Funds managed by

agf management limited

- AMERICAN GROWTH FUND LIMITED
- GROWTH EQUITY FUND LIMITED
- CANADIAN TRUSTEED INCOME FUND
- EUROPEAN GROWTH FUND LIMITED

DIRECTORS:

W. A. MANFORD

C. W. GOLDRING

G. B. SUTHERLAND

A. W. HOWE

R. H. JONES

D. J. WILKINS

OFFICERS:

President
W. A. MANFORD

Executive Vice-President
C. W. GOLDRING

Vice-President, Sales
G. B. SUTHERLAND

Vice-President
A. W. HOWE

Secretary-Treasurer
W. R. McKEOWN, C.A.

Assistant Secretary-Treasurer
B. S. MacGOWAN, C.A.

HEAD OFFICE:

7 King Street East, Toronto, Ontario

AUDITORS:

Price Waterhouse & Co.

REGISTRAR & TRANSFER AGENT:

Guaranty Trust Company of Canada

The year 1966 was a remarkable year of accomplishment for A.G.F. Management Limited. Sales of our major Fund, American Growth Fund, reached new peaks particularly as a result of the efforts of more than 100 investment dealers from coast to coast and our own 400-man sales force. We believe that the Fund's performance—a spectacular 33% rise in share value in 1965, its excellent resistance to the 1966 market decline, and its subsequent strong rise, also contributed to the unusually successful sales record.

As a result, net profits of the company increased sharply to $732,875 or $1.24 per Class B and Common share. Of this amount, $578,261 or 79% was set aside for dividends. Fifty cents per share was paid in cash and after payment of the required 15% tax, another forty cents was paid in December 1966 in redeemable preference shares which were immediately redeemed for cash.

Reflecting the effects of the stock market decline of last year, sales of our Funds are currently somewhat below those of the same period last year. The sales outlook for the rest of the year will depend heavily on the trend of the stock market. However, total assets under administration are up sharply to $183,313,354 as of the date of this letter, as compared with $124,245,340 at the same time last year.

We will, of course, continue to set aside at least 75% of net earnings for dividend purposes and we are confident that over the long term both sales and assets under administration by the company will show substantial progress.

Submitted on behalf of the board of directors.

Toronto, Ontario
March 6, 1967

W. A. MANFORD
President

STATEMENT OF INCOME

FOR THE YEAR ENDED NOVEMBER 30, 1966
(with comparative figures for the year ended November 30, 1965)

	1966	1965
Revenue (Note 1):		
Commissions	$3,590,951	$1,937,564
Management fees	689,650	385,426
Dividends from G.E.F. Management Limited	35,097	42,600
Custodian fees and other revenue	162,026	—
	4,477,724	2,365,590
Expenses:		
Commissions	2,150,526	1,280,415
Selling, general and administrative	773,520	517,805
Legal and audit	59,327	34,057
Depreciation and amortization	11,476	8,715
	2,994,849	1,840,992
Net income before income taxes	1,482,875	524,598
Provision for income taxes (Note 2):		
Current	794,000	138,000
Deferred	(44,000)	108,000
	750,000	246,000
Net income for the year	$ 732,875	$ 278,598
EARNINGS PER SHARE	$1.24	51¢

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED NOVEMBER 30, 1966
(with comparative figures for the year ended November 30, 1965)

	1966	1965
Retained earnings at beginning of year	$ 293,094	$ 180,259
Add—Net income for the year	732,875	278,598
	1,025,969	458,857
Deduct:		
Provision for deferred income taxes applicable to a prior year	—	57,000
Dividends paid—50¢ per share (1965—20¢ per share)	296,544	108,763
Income taxes paid on creation of tax-paid undistributed income of $92,449 under Section 105(2) of the Income Tax Act (Note 3)	16,314	—
Dividend of 462,244 Class A preference shares paid out of tax-paid undistributed income (Note 3)	92,449	—
Underwriter's commission on issue of Class B preference shares (Note 7)	14,000	—
	419,307	165,763
Retained earnings at end of year	$ 606,662	$ 293,094

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BALAN

ASSETS

	November 30 1966	1965
CURRENT ASSETS:		
Cash and bank deposit receipt...	$2,003,367	$1,377,147
Demand loan to an affiliated company (secured)...............	—	150,000
Receivable from clients and dealers for sales of mutual fund shares	2,131,013	2,140,501
Receivable from mutual funds for redemptions of shares.........	104,164	110,051
Other accounts receivable........	277,790	97,006
Prepaid expenses...............	90,171	78,596
	4,606,505	3,953,301
INVESTMENT IN G.E.F. MANAGEMENT LIMITED, subsidiary company, at cost (Note 1)....................	6,000	6,000
FIXED ASSETS:		
Office furniture and equipment, at cost.........................	75,779	50,752
Less—Accumulated depreciation.	38,813	25,351
	36,966	25,401
Leasehold improvements, at cost, less accumulated amortization..	12,239	14,474
	49,205	39,875
ADVANCED COMMISSIONS RECOVERABLE, less estimated recovery in 1967 of $85,000 ($70,000 in 1966) included in prepaid expenses (Note 2).......	150,417	252,196
	$4,812,127	$4,251,372

Approved on Behalf of the Board:

W. A. MANFORD, Director

C. W. GOLDRING, Director

AUDITO

To the Shareholders of A.G.F. MANAGEMENT LIMITED:

We have examined the balance sheet of A.G.F. Management Limite
earnings for the year then ended. Our examination included a ge
records and other supporting evidence as we considered necessar

Information with respect to a subsidiary company not consolidated
to the financial statements.

In our opinion, these financial statements present fairly the financi
operations for the year then ended, in accordance with generally a
the preceding year.

Toronto, Ontario
February 22, 1967

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LIABILITIES AND SHAREHOLDERS' EQUITY

	November 30 1966	1965
CURRENT LIABILITIES:		
Amounts payable to mutual funds for purchases of shares........	$2,814,040	$3,299,774
Amounts payable to G.E.F. Management Limited, subsidiary company, for purchases of mutual fund shares..................	11,018	225,214
Accounts payable and accrued liabilities....................	230,358	119,316
Income taxes payable...........	693,505	106,103
	3,748,921	3,750,407
DEFERRED INCOME TAXES (Note 2).......................	121,000	165,000
SHAREHOLDERS' EQUITY:		
Capital stock (Notes 3, 4 and 6)—		
Authorized—		
593,089 3% non-cumulative, redeemable, non-voting Class A preference shares with a par value of 40¢ each		
900,000 Class B non-voting participating preference shares without par value		
80,000 common shares without par value		
Issued and outstanding—		
592,289 Class B shares (49,273 shares were issued for cash during the year—Note 7)..................	335,504	42,831
800 common shares.........	40	40
	335,544	42,871
Retained earnings, per statement attached (Notes 3 and 5).......	606,662	293,094
	942,206	335,965
CONTINGENT LIABILITY (Note 9)		
	$4,812,127	$4,251,372

REPORT

s at November 30, 1966 and the statements of income and retained
l review of the accounting procedures and such tests of accounting
the circumstances.

equired by Section 89 of The Corporations Act is presented in Note 1

sition of the company as at November 30, 1966 and the results of its
oted accounting principles applied on a basis consistent with that of

PRICE WATERHOUSE & CO.
Chartered Accountants.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1966

1. The company owns six-elevenths of the outstanding shares of G.E.F. Management Limited, the accounts of which are not included in the accompanying financial statements because the minority interest is closely held and substantially all the net income of the subsidiary has been distributed by way of dividends.

For the year ended November 30, 1966, the company's portion of the net income of G.E.F. Management Limited amounted to $34,171 compared with $35,097 recorded as dividend income in the accompanying statement of income. The company's portion of the net income of G.E.F. Management Limited for the period since it commenced operations in April 1965 to November 30, 1966 amounted to $78,824, of which $77,697 has been taken up as dividend income.

In addition to dividend revenue, during the year ended November 30, 1966 the company received from the subsidiary for sales and management services, fee revenues of $17,620 (1965—$27,452) and $40,738 (1965—$11,856) respectively. Such amounts are included under the captions "Commissions" and "Management Fees" in the accompanying statement of income for the year ended November 30, 1966.

2. Advanced commissions recoverable ($235,417) represent the balance of amounts paid to salesmen under the Monthly Savings Plan in effect prior to July 1, 1964, which are fully recoverable out of future payments by the respective planholders or out of termination fees in the event of default. The company developed a new plan in June 1964 and under this plan advanced commissions recoverable do not arise.

As a consequence of claiming advanced commissions recoverable in the accounts as an expense for tax purposes in 1964 and 1965, taxes otherwise payable to November 30, 1965 totalling approximately $165,000 were deferred. For the year ended November 30, 1966 a portion of such advanced commissions was recovered and taken into income for tax purposes resulting in a current liability for taxes of $44,000 which had been deferred in prior years. This amount has been charged against "Deferred Income Taxes" in the accompanying financial statements.

3. On December 2, 1965 the company elected to create $92,449 of tax-paid undistributed income by paying tax on $108,763 of retained earnings as permitted under the Income Tax Act (Canada). Out of the tax-paid undistributed income thus created there was declared on December 3, 1965 a stock dividend of 462,244 3% non-cumulative redeem-

able non-voting Class A preference shares on the outstanding Class B and common shares recorded on that date, such shares being allotted at the rate of .85 of one such Class A share for each Class B and common share held.

On December 8, 1965 the company redeemed at their par value all of the Class A shares outstanding at that date.

4. By supplementary letters patent dated November 29, 1966 the following changes were made in the capital structure of the company:

(a) The then authorized and unissued 187,756 Class A preference shares with a par value of 20 cents each were changed to create 93,878 Class A preference shares with a par value of 40 cents each.

(b) The authorized capital was increased by the creation of an additional 499,211 Class A preference shares with a par value of 40 cents each.

5. On December 8, 1966 the company elected to create $252,063 of tax-paid undistributed income by paying tax on $296,545 of retained earnings as permitted under the Income Tax Act (Canada).

6. On December 9, 1966 there was declared out of tax-paid undistributed income a stock dividend of 593,089 3% non-cumulative redeemable non-voting Class A preference shares on the outstanding Class B and common shares recorded on that date, such shares being allotted at the rate of one such Class A share for each Class B and common share held.

On December 12, 1966 the company redeemed at their par value all of the Class A shares outstanding at that date. As a result, the authorized and issued capital of the company were each reduced by the 593,089 Class A shares so redeemed.

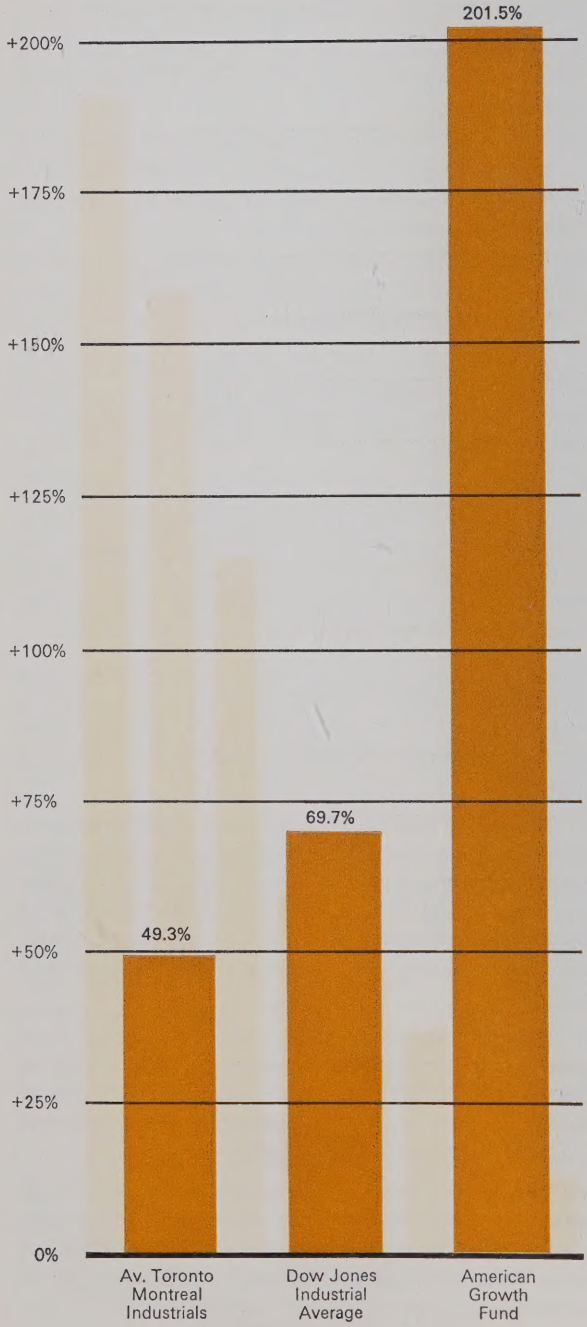
7. During the year ended November 30, 1966 the company sold through underwriters 35,000 Class B non-voting participating preference shares without par value for an aggregate cash consideration of $280,000 less a commission of $14,000 paid to the underwriter. In addition, 14,273 Class B shares were issued during the year for a cash consideration of $12,673.

8. The company, jointly with an affiliated company, has agreed to lease new premises at an annual rental of approximately $184,000 for a period commencing in the month of occupancy, which is presently anticipated to be December 1967, and terminating June 30, 1987.

9. The company has a contingent liability for the payment of security transfer taxes amounting to approximately $46,000 relating to the fiscal years ended November 30, 1964 and prior. This liability is presently in dispute with the tax authorities.

PERFORMANCE RECORD OF OUR MAJOR FUND AMERICAN GROWTH FUND LIMITED

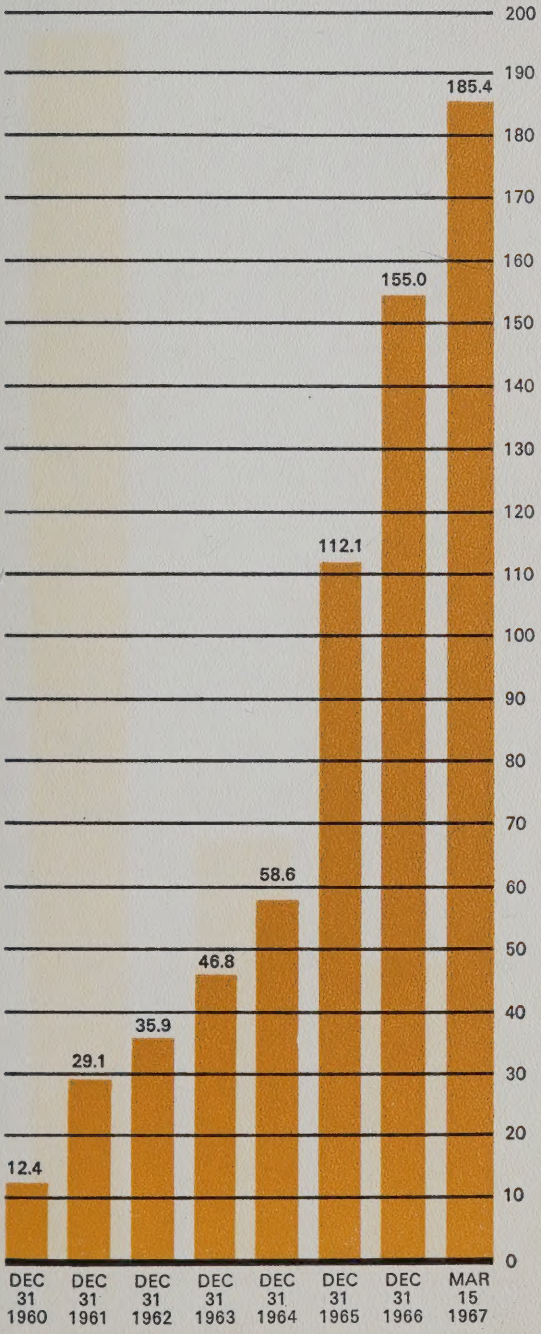
From Inception June 30, 1957 to March 15, 1967



GROWTH IN TOTAL ASSETS UNDER MANAGEMENT

To March 15, 1967

IN MILLIONS OF DOLLARS



THE CONCEPT OF CHANGE

When one thinks of change, a picture of the constant cycle of seasons and the even measurement of passing years comes to mind. But when one considers the growth of knowledge and scientific discovery, there emerges a new concept of change.

This is perhaps best illustrated by the fact that over the lifetimes of the last 70 generations of people, virtually everything that makes up our material world was created during the lifetime of the last generation. But even more startling is the fact that there will be more technological creation during half the lifetime of the 71st generation than during the entire previous generations put together.

Truly this is the era of rapid technological change—of the invention of new products and processes and the speedy obsolescence of that which is in current use and favour.

The fountainhead of technological change is found in the research laboratories of today's corporations. These are the "modern day inventors" who have superseded the individual inventors, such as Henry Ford and Alexander Bell, of yesteryear.

The management philosophy of our Company has been moulded from this concept. In principle and practice, we are constantly in search of new and profitable investment opportunities for our shareholders and ever alert to those which can become obsolete through technological and economic change. Throughout all departments of our Company—investment management, marketing, administration and finance, we strive to create an environment in which our own people are given initiative and responsibility for creative expression and efficient endeavours. In so doing the best interests of our shareholders are well served.

We believe that the record of our growth stands as testimony to this philosophy and gives assurance to our shareholders that we face the future with the confidence that continued and profitable growth will be achieved.